GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3684
ANSWERED ON:24.03.2017
Investment of Pension Fund and Insurance Companies
Thakur Shri Anurag Singh

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is considering to allow the pension funds and insurance companies to invest in start-ups; and

(b) if so, the details thereof and if not, the reasons therefor?

Answer

The Minister of State in the Ministry of Finance

(a) & (b) The Pension Fund Regulatory and Development Authority (PFRDA) has permitted investment in Alternate Investment Funds (Category I and Category II only) for the National Pension System (NPS) schemes (other than Government Sector Funds). These category I and II Alternate Investment Funds (AIFs) include Infrastructure Funds, Small and Medium sized Enterprises (SME) Funds, Venture Capital Funds and Social Venture Capital Funds. PFRDA has intimated that these AIFs are well regulated by the Securities and Exchange Board of India (SEBI) and in order to protect the subscriber interest to maximum possible extent following safeguards have been stipulated by PFRDA:-

â€¢ Investments in AIFs are permitted with a ceiling of 2% of the Pension Fund Corpus for private sector NPS.
â€¢ Pension Fund shall only invest in AIFs whose corpus is equal to or more than Rs. 100 crores.
â€¢ The Pension Funds shall invest in only those AIFs having a minimum rating of AA and above, from at least one rating agency except in case of Govt. owned AIFs.
â€¢ The exposure to single AIF shall not exceed 10% of the AIF size.
â€¢ The sponsors of the AIFs should not be the promoters in Pension Funds or be the promoter group of the Pension Fund.
â€¢ Pension Funds to ensure that funds should not be invested directly or indirectly in securities of the companies or Funds incorporated and operated outside the India as per section 25 of the PFRDA Act 2013.

As per the Insurance Regulatory and Development Authority of India (Investment) Regulations, 2016, there is no provision for insurance companies to invest in start-ups.

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